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E.O. 12356: DECL: OADR
TAGS: RP, US, PREL, PGOV
SUBJECT: DRAFT LETTER TO PRESIDENT AQUINO

1. ~~CONFIDENTIAL~~ -- ENTIRE TEXT
2. FYI, HFAC STAFF HAS PASSED US FOLLOWING DRAFT REPEAT DRAFT LETTER FROM CONGRESSMAN SOLARZ TO PRESIDENT AQUINO.

3. BEGIN TEXT:

PRESIDENT CORAZON AQUINO
OFFICE OF THE PRESIDENT
MANILA, PHILIPPINES

DEAR CORY:

WITHIN THE NEXT FEW MONTHS, THE UNITED STATES CONGRESS MUST MAKE SEVERAL IMPORTANT DECISIONS CONCERNING ECONOMIC AND MILITARY ASSISTANCE TO THE PHILIPPINES. THE FIRST SUCH DECISION, AND THE ONE WHICH HAS RECEIVED THE MOST ATTENTION THUS FAR, CONCERNS THE LEVEL OF SUPPLEMENTAL ASSISTANCE TO BE PROVIDED TO YOUR COUNTRY THIS FISCAL YEAR. I AM EXPECTING THE ADMINISTRATION TO SUBMIT A

SUPPLEMENTAL ASSISTANCE REQUEST TO THE CONGRESS WITHIN THE NEXT FEW DAYS, AND I AM HOPEFUL THE CONGRESS WILL ACT EXPEDITIOUSLY TO APPROVE IT.

THE PURPOSE OF THIS LETTER IS TO GET YOUR VIEWS ON THE SECOND MAJOR AID DECISION THAT THE CONGRESS WILL HAVE TO MAKE IN THE NEAR FUTURE CONCERNING AID TO THE PHILIPPINES: THE LEVEL OF ECONOMIC AND MILITARY AID TO BE PROVIDED UNDER THE BASES AGREEMENT.

AS YOU KNOW, WHEN THE LAST REVIEW OF THE BASES AGREEMENT WAS CONCLUDED IN 1984, PRESIDENT REAGAN MADE A "BEST EFFORT" COMMITMENT TO PROVIDE \$900 MILLION IN ECONOMIC AND MILITARY ASSISTANCE TO YOUR COUNTRY OVER A FIVE YEAR PERIOD. MORE SPECIFICALLY, THIS COMMITMENT CALLED FOR THE PROVISION OF \$475 MILLION IN ECONOMIC AID AND \$425 MILLION IN MILITARY AID DURING THIS FIVE YEAR PERIOD, WHICH EQUATES TO \$95 MILLION IN ECONOMIC ASSISTANCE AND \$85 MILLION IN MILITARY ASSISTANCE PER YEAR. ALTHOUGH THERE WAS NO BINDING AGREEMENT THAT THIS ASSISTANCE WOULD BE PROVIDED IN FIVE EQUAL TRANCHES OF \$180 MILLION PER YEAR, (\$95 MILLION IN ECONOMIC AID AND \$85 MILLION IN MILITARY AID), THE REAGAN ADMINISTRATION DECIDED TO

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REQUEST THE AID IN THIS FASHION.

DURING THE FIRST 2 YEARS OF THE BASES AGREEMENT (FISCAL YEARS 1985 AND 1986), THE CONGRESS VOTED TO PROVIDE \$180 MILLION IN ASSISTANCE EACH YEAR (ALTHOUGH THE FY 86 AID WAS LATER CUT BY 4.3 PERCENT AS A RESULT OF THE GRAMM-RUDMAN BUDGET LEGISLATION). HOWEVER, BECAUSE THE CONGRESS WAS SERIOUSLY CONCERNED THAT THE PROVISION OF \$85 MILLION A YEAR IN MILITARY ASSISTANCE WOULD BE PERCEIVED BY THE FILIPINO PEOPLE AS PROPPING UP THE MARCOS DICTATORSHIP, THE DECISION WAS MADE IN BOTH FY 85 AND FY 86 TO CHANGE THE MIX OF MILITARY AND ECONOMIC AID, SO AS TO PROVIDE SIGNIFICANTLY MORE ECONOMIC AID AND SUBSTANTIALLY LESS MILITARY AID.

SPECIFICALLY, INSTEAD OF PROVIDING \$190 MILLION IN ECONOMIC ASSISTANCE (\$95 MILLION PER YEAR) AND \$170 MILLION IN MILITARY ASSISTANCE (\$85 MILLION PER YEAR), THE CONGRESS DECIDED TO PROVIDE \$265 MILLION IN ECONOMIC AID AND ONLY \$95 MILLION IN MILITARY AID. (AS A RESULT OF THE GRAMM-RUDMAN BUDGET LEGISLATION, THE FY 86 AID LEVELS WERE CUT BY 4.3 PERCENT, MAKING THE ACTUAL AID TOTALS FOR FY 86 AND FY 87 \$259.6 MILLION IN ECONOMIC AID AND \$92.6 MILLION IN MILITARY AID.) .THUS, OVER THE FIRST TWO YEARS OF THE AGREEMENT, THE CONGRESS PROVIDED \$77.4 MILLION MORE IN ECONOMIC ASSISTANCE AND \$77.4 MILLION LESS IN

MILITARY ASSISTANCE THAN WOULD HAVE BEEN PROVIDED IF THE AID HAD BEEN ALLOCATED IN EQUAL TRANCHES. THESE FIGURES, I SHOULD NOTE, RELATE ONLY TO THE AID PACKAGE ASSOCIATED WITH THE BASES AGREEMENT, AND DO NOT INCLUDE DEVELOPMENT ASSISTANCE, PL-480 FOOD AID, OR ANY SUPPLEMENTAL ASSISTANCE THAT THE UNITED STATES MAY DECIDE TO PROVIDE IN THE FUTURE.

THE QUESTION NOW CONFRONTING THE CONGRESS IS WHETHER IT SHOULD MAKE UP THE \$77.4 MILLION SHORTFALL IN MILITARY ASSISTANCE OVER THE REMAINING THREE YEARS OF THE AGREEMENT. IN ORDER TO INCREASE MILITARY AID, THE CONGRESS WOULD HAVE TO REDUCE THE LEVEL OF ECONOMIC ASSISTANCE, SO AS TO HOLD THE ANNUAL AID LEVEL CONSTANT AT \$180 MILLION.

IN LIGHT OF THIS SITUATION, I WOULD LIKE TO OBTAIN YOUR ADVICE WITH RESPECT TO SEVERAL QUESTIONS. FIRST, DOES YOUR GOVERNMENT WANT THE UNITED STATES TO MAKE UP THE \$77.4 MILLION SHORTFALL IN MILITARY ASSISTANCE AND PROVIDE THE FULL \$425 MILLION IN MILITARY ASSISTANCE ENVISIONED IN THE BASES AGREEMENT? OR WOULD YOU PREFER US TO ALTER THE \$475 MILLION/\$425 MILLION MIX OF ECONOMIC AND MILITARY ASSISTANCE OVER FIVE YEARS SO AS TO PROVIDE FOR MORE ECONOMIC AID AND LESS MILITARY AID? IF THAT IS THE CASE, WHAT MIX WOULD YOU PREFER OF ECONOMIC AND MILITARY AID?

SECOND, IF YOU DO WANT THE UNITED STATES TO RESTORE THE SHORTFALL IN MILITARY AID AND PRESERVE THE \$475/\$425 MILLION MIX, DO YOU WANT US TO RESTORE THE MILITARY AID IN 3 EQUAL TRANCHES, BEGINNING WITH THE NEXT FISCAL YEAR (FY 87)? THIS WOULD MEAN THAT YOUR COUNTRY WOULD RECEIVE \$110.8 MILLION A YEAR IN MILITARY AID OVER THE LAST 3 YEARS OF THE AGREEMENT (\$85 MILLION IN ANNUAL MILITARY AID PLUS \$25.8 MILLION IN RESTORED AID) AND ONLY \$69.2 MILLION IN ECONOMIC AID (\$95 MILLION IN ANNUAL ECONOMIC AID MINUS \$25.8 MILLION IN RESTORED MILITARY AID). OR WOULD YOU PREFER US TO MAINTAIN ECONOMIC AID AT THE FY 86 LEVEL (\$119.6 MILLION) IN FY 87 AND ONLY RESTORE THE MILITARY AID (AS WELL AS THE 4.3 PERCENT IN ECONOMIC AID THAT WAS CUT IN FY 86 AND FY 87) IN THE LAST TWO YEARS OF

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THE AGREEMENT? THIS WOULD MEAN THAT IN FISCAL YEARS 1988 AND 1989 YOUR COUNTRY WOULD RECEIVE \$47.9 MILLION PER YEAR IN ECONOMIC AID, AND \$139.9 MILLION PER YEAR IN MILITARY AID.

ANY GUIDANCE YOU COULD PROVIDE TO ME CONCERNING THESE DIFFICULT QUESTIONS WOULD BE GREATLY APPRECIATED. AS I'M

SURE YOU KNOW, I WOULD LIKE TO BE AS HELPFUL AS I CAN ON THE AID QUESTION, IN TERMS OF OBTAINING CONGRESSIONAL APPROVAL FOR THE MIX OF ECONOMIC AND MILITARY AID THAT IS MOST BENEFICIAL TO YOUR COUNTRY. NOW THAT DEMOCRACY HAS BEEN RESTORED IN THE PHILIPPINES, I BELIEVE VERY STRONGLY THAT WHATEVER THE U.S. DOES SHOULD REFLECT THE PRIORITIES OF YOUR GOVERNMENT, INSTEAD OF REMAINING BOUND TO A FORMULA AGREED TO WITH THE PREVIOUS GOVERNMENT UNDER VERY DIFFERENT CIRCUMSTANCES.

I KNOW HOW DIFFICULT THE PROBLEMS ARE WHICH CONTINUE TO CONFRONT YOUR COUNTRY, BUT, FOR WHATEVER IT MAY BE WORTH, I AM CONFIDENT THAT UNDER YOUR LEADERSHIP, THE PHILIPPINES WILL BE ABLE TO OVERCOME THESE DIFFICULTIES AND ENJOY A PEACEFUL AND PROSPEROUS FUTURE.

FINALLY, LET ME CONCLUDE BY REITERATING THE INVITATION THAT I CONVEYED TO YOU FROM THE SPEAKER OF THE HOUSE OF REPRESENTATIVES DURING MY RECENT TRIP TO MANILA FOR YOU TO ADDRESS A JOINT SESSION OF THE U.S. CONGRESS. I AM CONVINCED THAT SUCH AN APPEARANCE BY YOU BEFORE THE CONGRESS WITHIN THE NEXT FEW MONTHS WILL BE TREMENDOUSLY HELPFUL IN GENERATING THE NECESSARY CONGRESSIONAL SUPPORT FOR THE SUPPLEMENTAL ASSISTANCE PACKAGE FOR YOUR COUNTRY.

. CORDIALLY,

STEPHEN J. SOLARZ
CHAIRMAN
SUBCOMMITTEE ON ASIAN
AND PACIFIC AFFAIRS ARMACOST

END OF MESSAGE

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